



**U.S. Department of Education
Direct Loan Evaluation
Macro International Inc.**

A Survey of Direct Loan Program and Federal Family Education Loan Program Borrowers

Volume One — Summary Report

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Evaluation of the Federal Direct Loan Program

**A Survey of Direct Loan Program
and Federal Family
Education Loan Program Borrowers**

Volume One - Summary Report

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The cooperation of more than 3600 borrowers participating in the Federal Direct Loan and Federal Family Education Loan Programs enabled a thorough description of their experiences with the loan programs. This report would not have been possible without the time and effort expended by borrowers during the telephone interviews.

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Introduction

Institutional and borrower surveys comprise one component of an overall evaluation of the Federal Direct Loan Program conducted by Macro International under contract to the U.S. Department of Education. The goal of the evaluation is to assess the effectiveness of Direct Lending in terms of simplified administration, customer satisfaction, and reduced costs to the Federal Government. The surveys are designed to determine the level of customer satisfaction with the Federal Direct Loan and Federal Family Education Loan (FFEL) Programs.

This report presents the findings of a telephone survey of approximately 3600 student and parent borrowers participating in the Title IV loan programs who originated loans during the 1994-95 academic year. The borrower survey was conducted from November 1995 through March 1996. The specific objective of the survey was to provide baseline comparisons of borrower satisfaction and experiences with each program, including:

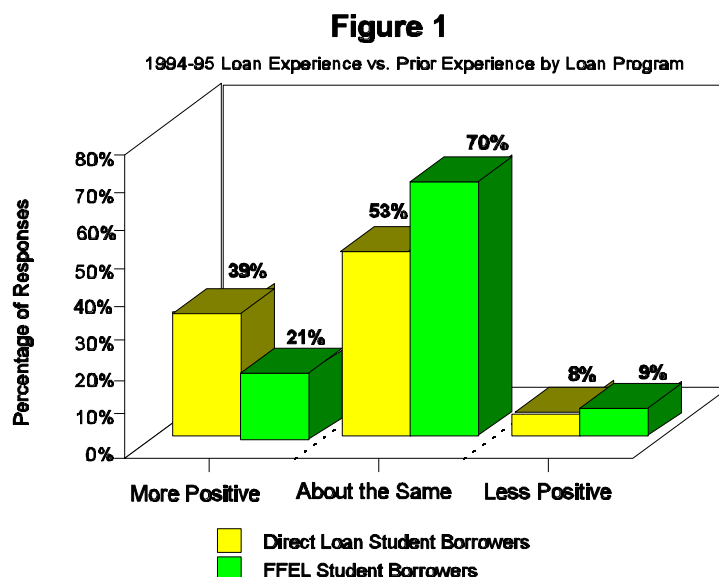
- Overall quality and perceived ease of loan program administration;
- Satisfaction with the loan application process and servicing experiences;
- Effectiveness of borrower counseling;
- Satisfaction with communications and support from the Department of Education and other service providers (i.e., lenders and guarantee agencies); and
- Borrowers' understanding of the key terms and features of the respective loan programs.

In addition, differences in borrowers' experiences were examined over time, and by several key borrower and institutional characteristics.

To help interpret the findings, Macro International cautions the reader that at least two types of comparisons are presented in this report. The first involves asking borrowers who have actually participated in both loan programs about their comparative experiences, which from an inferential standpoint, produces the most generalizable results. The second type of comparison involves asking borrowers about their experiences in one program only, which provides less information for comparing the relative merits of the two loan programs. An important caution, however, is that both types of comparisons involve the experiences of borrowers in the first year of the Direct Loan program only (1994-95), so that any generalizations to subsequent years of the program would be inappropriate.

Findings

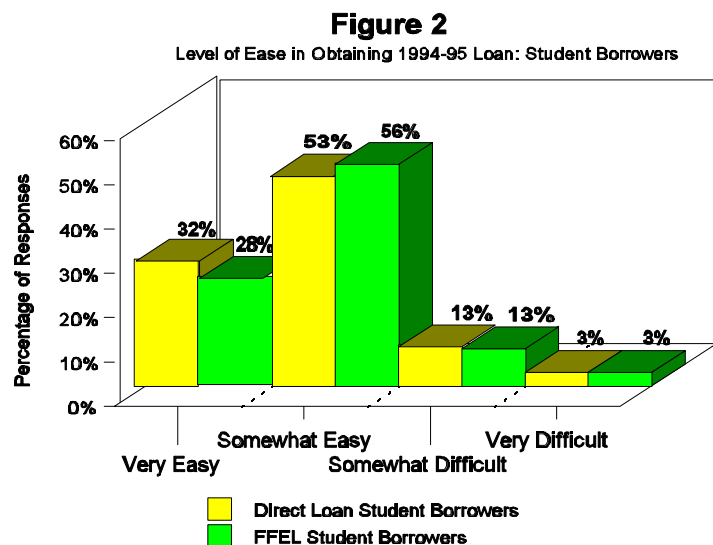
- **Direct Loan borrowers with previous FFEL loans were more likely than FFEL borrowers with previous FFEL loans to cite their 1994-95 loan experience as *more positive* than their prior experience.** Borrowers with multiple loans were asked to compare their 1994-95 loan to their most recent prior loan. Students in the Direct Loan Program were significantly more likely than FFELP borrowers to cite their 1994-95 loan process as *more positive* than their prior FFELP experience.¹ In fact, Direct Loan students were almost twice as likely as those in the FFEL Program to cite their 1994-95 experience as *more positive* (39 percent for Direct Loan vs. 21 percent for FFEL) (Figure 1).



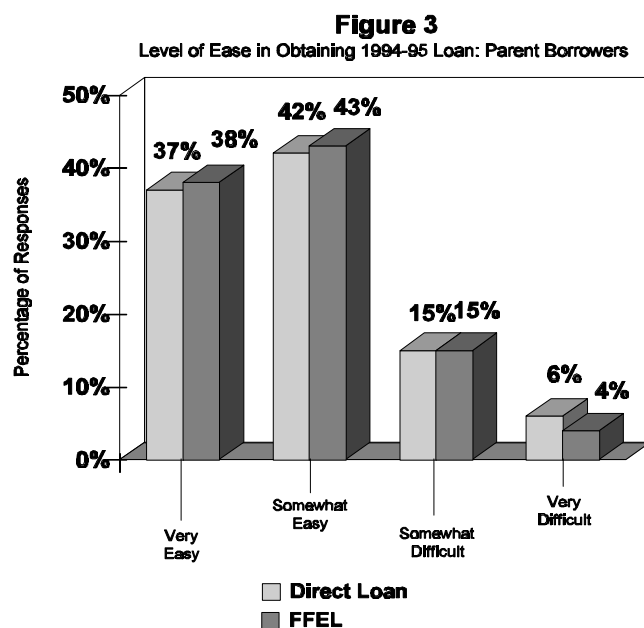
Direct Loan students were also more likely than FFEL students to mention easier processing and reduced paperwork as reasons for increased satisfaction.

- **The vast majority (over 80 percent) of Title IV borrowers perceived their 1994-95 loan origination process as *very easy* or *somewhat easy*. No statistically significant differences were found between the Direct Loan and FFEL Programs.** The percentages of students indicating an overall positive rating for ease of loan origination were virtually identical between the two programs (85 percent for Direct Loan vs. 84 percent for FFEL) (Figure 2).

¹ Throughout the report, the 5% level of statistical significance was used to test for differences between the loan programs. In those instances where there were no significant differences between the loan programs, the results were not presented in the text.



As shown in Figure 3, the overall ratings for ease of loan origination were also essentially identical for Direct Loan and FFEL parent borrowers (i.e., borrowers who originated PLUS loans during the 1994-95 academic year), with 79% of Direct Loan PLUS borrowers indicating an overall positive rating compared to 81% of FFEL PLUS borrowers.



Highlights of Findings

When the results were examined by borrower and institutional characteristics, institutional control appeared to have a significant impact on opinions regarding loan origination, particularly among student borrowers.² Students in proprietary schools were more likely to perceive the loan process as easy than those in private or public schools.

Significant relationships were also found between ease of loan origination and gender, with female respondents (students and parents) indicating higher levels of satisfaction with loan origination than male respondents; and dependency status, with independent students expressing higher levels of satisfaction with ease of loan origination than dependent students.

- **Borrowers were generally satisfied with the timeliness of their 1994-95 loan funds. No significant differences were found between Direct Loan and FFEL borrowers.** The percent of respondents indicating timely receipt of funds was 83 for FFEL student borrowers, 85 for Direct Loan student borrowers, 88 for Direct Loan parent borrowers, and 90 for FFEL parent borrowers.

Significant relationships were found between perceived timeliness of funds and several institutional characteristics. Student borrowers attending proprietary schools indicated the greatest satisfaction with timeliness of funds, and those attending public schools were least satisfied. A similar pattern was found for parent borrowers.

Both student and parent FFEL borrowers in institutions that use EFT displayed lower satisfaction levels with the timeliness of funds than those in schools that do not use EFT to process student loans.

- **Most borrowers were satisfied with their entrance/exit counseling and other contacts with the Financial Aid Office. No significant differences were found between the Direct Loan and FFEL Programs.** The specific aspects examined included satisfaction with both ED and the Financial Aid Office in explaining loan terms, satisfaction with the Financial Aid orientation, and satisfaction with exit counseling and the associated printed information.
- **Borrowers indicated a relatively low awareness of the key terms and features of the loan programs. No significant differences in borrower awareness were found between the Direct Loan and FFEL Programs.** When borrower responses were compared to information from the National Student Loan Data System (NSLDS), roughly one-half of the student borrowers and less than three-fourths of the parent borrowers were able to correctly identify their loan amount within 50 percent of the actual amount. Further, only a third of the student borrowers and half of the parent borrowers knew the interest rate on their loan within two percentage points of the actual rate, and fewer than five percent of the respondents (students and parents) knew the exact interest rate.

² Due to the large number of borrower and institutional characteristics examined, the more conservative 1% level of significance was used to reduce the likelihood of significant relationships occurring by chance.

Highlights of Findings

The majority of student and parent borrowers in both loan programs were able to correctly estimate the amount of time that it would take to pay off their loans, which suggests that borrowers were aware that their loans had to be repaid.

In terms of the borrower and institutional characteristics examined, student and parent borrowers with loans in repayment were significantly more familiar with their loan information than those in any other loan status category. Previous borrowers (students and parents) were less likely to know their loan amount than first-time borrowers or those in repayment. Students with graduate-level education were more aware of their loan amount and interest rate than were those with lower education levels. Students attending proprietary schools indicated lower awareness of their loan amount than those attending private or public institutions; and students attending schools with the highest levels of institutional loan program satisfaction typically displayed the greatest awareness of their loan terms.

A Survey of Direct Loan Program and Federal Family Education Loan Program Borrowers

Introduction

Institutional and borrower surveys comprise one component of an overall evaluation of the Federal Direct Loan Program conducted by Macro International Inc. under contract to the U.S. Department of Education. The overall purpose of the project is to evaluate the effectiveness of Direct Lending in terms of simplified administration, customer satisfaction, and reduced cost to the Federal Government.

In 1995, Macro conducted mail surveys of Direct Loan and Federal Family Education Loan Program institutions to assess overall satisfaction with Direct Loan implementation and administration at the institutional level. Consistent with the objectives of the institutional surveys, the overall goal of the borrower survey was to assess *borrower-level* differences in loan program administration between the Direct Loan Program and FFELP. The specific areas of investigation included:

- Overall quality and perceived ease of loan program administration;
- Satisfaction with the loan application process and servicing experiences;
- Effectiveness of borrower counseling;
- Satisfaction with communications and support from the Department of Education and other service providers (i.e., lenders and guarantee agencies); and
- Borrowers' understanding of key terms and features of the respective loan programs.

In addition, changes in borrowers' experiences with the various aspects of loan program administration were reviewed over time for Direct Loan versus FFELP. Differences were also examined by several key borrower and institutional characteristics to determine if they were related to satisfaction level, perceived quality of loan program administration and/or understanding of loan terms and features.

The borrower survey was conducted using a telephone survey methodology. The telephone interviews were administered at Macro's Burlington, Vermont facility via Computer Assisted Telephone Interviewing (CATI). Data collection began on November 10, 1995 and continued through March 17, 1996. Calls were placed Monday through Sunday from 9:00 a.m. - 9:00 p.m. local time, and were spread throughout the day in order to achieve the highest possible response rate. An unlimited number of attempts were made by interviewers to reach each qualified respondent. The overall response rate for the survey was 73 percent, based on 3,623 responses from 4,953 eligible respondents.

The borrower survey sample was selected from schools that participated in the 1995 institutional surveys. The starting sample included borrowers who originated Federal student loans during the

A Survey of Direct Loan Program and Federal Family Education Loan Program Borrowers

1994-95 academic year—the most recent full academic year preceding the borrower survey data collection period. This allowed the borrower survey responses to be linked with the institutional characteristics and responses from the 1995 surveys.

The survey results were analyzed separately for four respondent groups:

- Direct Loan student borrowers,
- FFEL student borrowers,
- Direct Loan parent borrowers, and
- FFEL parent borrowers.

Within these groups, responses were also examined by the following borrower and institutional characteristics (while controlling for the different mix of schools participating in the two programs).

Borrower Characteristics

- Borrower Status (First-Time, Previous, In Repayment)
- Loan Status (Repayment, Grace Period, Deferment, Forbearance, Delinquent, Default, Paid in full)
- Income
- Employment Status (including employment related to major and employment status by loan status)
- Age
- Race/Ethnicity
- Gender
- Education Level
- Dependency Status

Institutional Characteristics

- Institutional Control
- Size (Loan Volume)
- Type of Computer System

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- Use of Electronic Funds Transfer (EFT) (FFEL Schools)
- Number of Lenders (FFEL Schools)
- Number of Guarantee Agencies (FFEL Schools)
- Origination Level (Direct Loan Schools)
- Overall Institutional Program Satisfaction
- Level of Effort Required to Administer Program

Crosstabulations were produced via SAS, and the results were tested for significance using a General Linear Model approach (described in the Survey Methodology section of the report).

This report summarizes the findings of the 1995/1996 borrower survey. Detailed tables illustrating the number and percent of responses, the sample representation, and the response rates for several key variables by loan program are included in the Technical Appendices. The Appendices also present:

- The weighted data tables;
- Weighted and unweighted frequencies for the four respondent groups (Direct Loan student borrowers, FFEL student borrowers, Direct Loan parent borrowers, and FFEL parent borrowers) as well as the actual number of responses;
- A detailed description of the survey methodology, including a description of the statistical analyses; and
- The survey instruments.

Changes in Borrower Satisfaction Levels Since Introduction of the Direct Loan Program

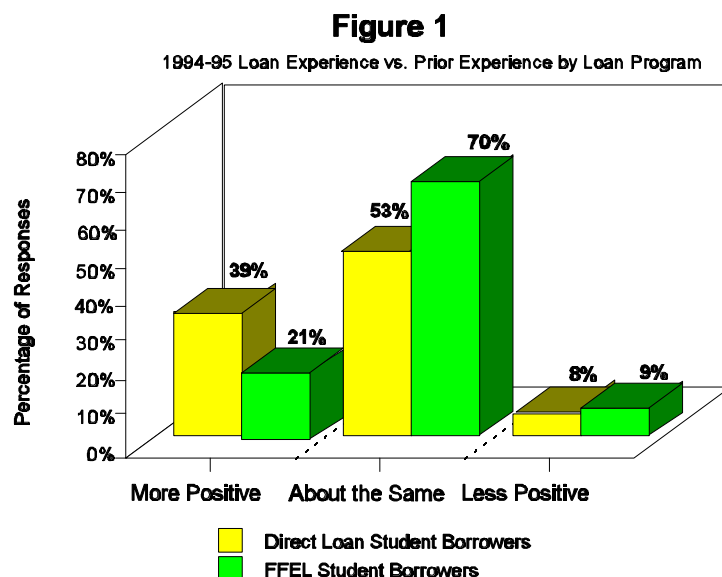
Changes in Overall Satisfaction with Loan Experience Among Previous Borrowers: Direct Loan vs. FFEL

In order to provide a basis for comparisons of loan program satisfaction, Direct Loan borrowers were asked to compare their 1994-95 loan experience to their most recent loan experience under the FFEL program. To assess changes in the FFEL program over time, FFEL borrowers were also asked to compare their most recent loan experience to their previous one.

Question #H7 (Students), #F7 (Parents)

How did your overall experience in obtaining your 1994-95 loan compare with your experience in obtaining your prior loan? Was it more positive, less positive or about the same?

As shown in Figure 1, student borrowers in the Direct Loan program were more likely than FFELP student borrowers to cite their 1994-95 loan process as *more positive* than their prior FFELP experience. Approximately 39 percent of Direct Loan student borrowers versus 21 percent of FFEL student borrowers indicated that their overall experience in obtaining their 1994-95 loan was *more positive* than their prior FFELP experience (see Table 8.1 of Technical Appendix A).



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Among these borrowers, Direct Loan students were also more likely than FFEL students to mention easier processing and reduced paperwork as reasons for increased satisfaction.

Although the percent of Direct Loan parent borrowers indicating that their 1994-95 loan experience was *more positive* than their prior experience was slightly higher than that for FFEL borrowers, the difference was not significant.

Current vs. Prior Satisfaction by Borrower and Institutional Characteristics

Significant differences in current versus prior satisfaction were found by borrower and institutional characteristics for student borrowers only. Differences were found by income, age category, institutional control and loan volume.

- Current versus prior satisfaction was lowest for students with annual household incomes of \$40,000 or less, and highest for those with household incomes exceeding \$50,000 (Table 23.1).
- The percentage of student borrowers giving their 1994-95 loan experience a *more positive* rating increased with the age of the student (Table 32.1). However, this effect disappeared when controlling for size and control of institution, which suggests that the result was driven by the effects of institutional control and/or loan volume.
- In support of the above observation, student borrowers attending schools with the highest loan volumes indicated the greatest current versus previous satisfaction, (although they typically displayed the lowest absolute satisfaction levels) (Table 67.1).
- In addition, student borrowers attending private schools were less likely than those attending proprietary or public schools to cite their 1994/95 loan as more positive than their prior loan. As shown in Exhibit 1 (and in Tables 63.1 and 158.1), the pattern was similar for Direct Loan and FFEL institutions.

Exhibit 1						
Satisfied with 1994-95 Loan Experience vs. Prior Loan Experience by Institutional Control by Loan Program: Student Borrowers						
Current vs. Prior Satisfaction	Direct Loan			FFEL		
	Proprietary	Private	Public	Proprietary	Private	Public
More Positive	33%	27%	42%	28%	16%	22%
About the Same	54%	69%	50%	63%	72%	70%
Less Positive	13%	4%	8%	8%	12%	7%

Borrower Satisfaction with Loan Program Aspects and Activities

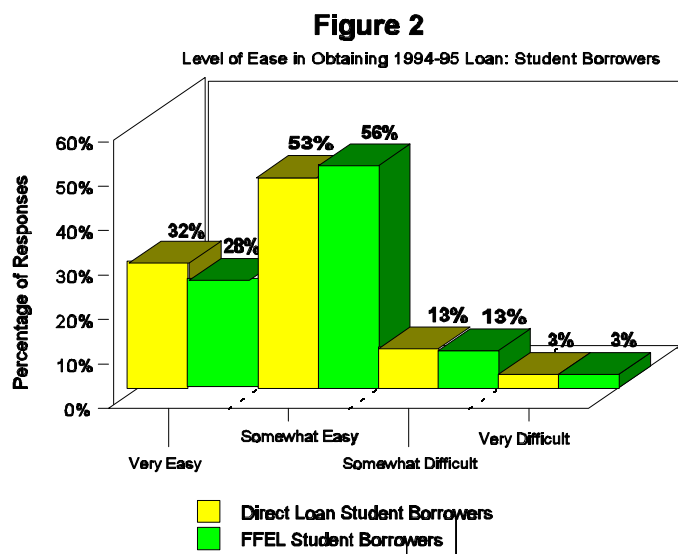
Level of Ease in Obtaining Loan

The first survey item was designed to measure borrower satisfaction with the level of ease in obtaining their Federal student loan.

Question #B1

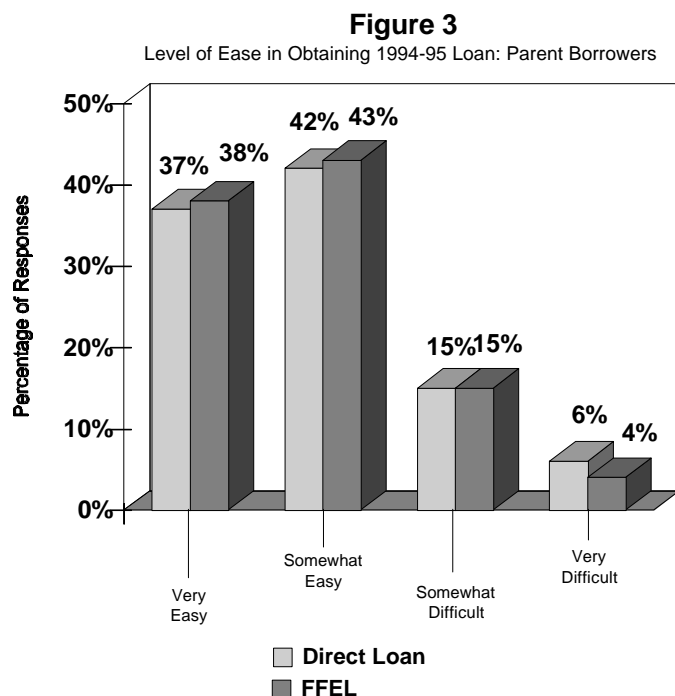
Would you describe the level of ease in obtaining your 1994-95 (LOAN TYPE) as very easy, somewhat easy, somewhat difficult or very difficult?

As shown in Figure 2, the majority of borrowers (84 percent of students and 81 percent of parents) indicated that loan origination was either *very easy* or *somewhat easy* (Table 2.1). No significant differences were found by loan program.



A Survey of Direct Loan Program and Federal Family Education Loan Program Borrowers

As shown in Figure 3 (and Table 100.1), the overall ratings for ease of loan origination were almost identical for Direct Loan and FFEL parent borrowers.



When the results were examined by borrower and institutional characteristics (after controlling for loan program), significant relationships were found between ease of loan origination and gender, with female respondents (both students and parents) indicating higher levels of satisfaction with loan origination than male respondents (Tables 40.1 and 123.1). Also, independent students expressed higher levels of satisfaction than dependent students (Table 52.1).³

A significant relationship was also found between institutional control and ease of loan origination. As shown in Exhibit 2 (and in Tables 58.1 and 154.1), student borrowers in proprietary schools (Direct Loan and FFEL) were most likely to perceive loan origination as an easy process, and those in public schools were least likely to indicate that the process was easy. In addition, Direct Loan borrowers attending private schools were more likely to rate their loan origination as *very easy* than were FFEL borrowers attending private schools. However, among parents borrowing through the PLUS program, there were no significant differences among schools in terms of ease of loan origination.

³ Note that a three-way analysis of variance was conducted to test for interactions between loan program (Direct Loan versus FFEL) and borrower/institutional characteristics when predicting the dependent variables. No significant interactions were found between loan program and the selected characteristics.

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Exhibit 2						
Level of Ease in Obtaining 1994-95 Loan by Institutional Control by Loan Program: Student Borrowers						
Level of Ease	Direct Loan			FFEL		
	Proprietary	Private	Public	Proprietary	Private	Public
Very Easy	45%	46%	28%	46%	28%	24%
Somewhat Easy	44%	40%	56%	49%	57%	57%
Somewhat Difficult	11%	12%	13%	5%	12%	16%
Very Difficult	0%	2%	3%	1%	3%	3%

Timeliness of Loan Funds

In addition to ease of loan origination, perceived timeliness of loan funds was used to determine the level of borrower satisfaction with the Federal loan programs.

Question #B2

In your opinion, did you receive your loan funds in a timely manner?

As shown in Exhibit 3 (and in Tables 3.1 and 101.1), more than 80 percent of the responding borrowers (both students and parents) were satisfied with the timeliness of their 1994-95 loan funds. However, none of the differences between loan programs were significant.

Exhibit 3		
Percent of Borrowers Indicating Timely Receipt of Funds by Loan Program		
Borrowers	Direct Loan	FFEL
Students	85%	83%
Parents	88%	90%

Significant relationships *were* found between the perceived timeliness of funds and the following characteristics:

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- Age Category—Satisfaction with timeliness was significantly lower for students in the 45-54 age category than for any other age groups. Satisfaction levels for all other categories were virtually identical (Table 27.1).
- Race/Ethnicity—Perceptions of timeliness varied significantly by race/ethnicity, particularly among parent borrowers. The percent of parent borrowers indicating timely receipt of funds was highest for respondents classified as *White, Not of Hispanic Origin*, and lowest for those classified as *Other*, with the middle category including respondents classified as *Black, not of Hispanic origin* (Table 114).⁴
- Institutional Control—As shown in Exhibit 4, student borrowers attending proprietary and private schools generally indicated the greatest satisfaction with timeliness of funds, and those attending public schools were least satisfied (also see Tables 59.1, 118.1, and 155.1).

Exhibit 4				
Percent of Borrowers Indicating Timely Receipt of Funds by Institutional Control by Loan Program				
Institutional Control	Direct Loan		FFEL	
	Students	Parents	Students	Parents
Proprietary	85%	98%	94%	97%
Private	88%	86%	85%	90%
Public	84%	88%	80%	86%

Significant relationships were also found between perceived timeliness of funds and the following institutional characteristics which are highly correlated with institutional control:

- Loan Volume—Among parent respondents, satisfaction with timeliness of funds was inversely related to loan volume at the institution (Table 124.1).
- Computer System—Parent respondents in schools that use PCS exclusively were most satisfied with the timeliness of loan funds (Table 131.1).

⁴ Respondents classified as Hispanic and those classified as Asian are included in the *Other* category due to the relatively small sample sizes for these two respondent groups. The *Other* category also includes open-ended responses with less than five cases.

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- Use of EFT—Both student and parent FFEL borrowers in institutions that use EFT displayed lower satisfaction levels with the timeliness of funds than those in schools that do not use EFT to process student loans (Tables 80.1 and 139.1).
- Number of Lenders/Guarantee Agencies—FFEL parent borrowers in schools with the fewest lenders and guarantee agencies indicated the highest levels of satisfaction with the timeliness of loan funds (Tables 136.1 and 142.1).

Satisfaction with Entrance/Exit Counseling and Financial Aid Contacts

Borrowers were also asked to rate their level of satisfaction with several specific aspects of the Federal loan programs.

Question #C1 (Students Only)

Overall, how satisfied were you with the effectiveness of the financial aid orientation you received in helping you to understand the terms of your 1994-95 loan? Were you very satisfied, somewhat satisfied, somewhat dissatisfied or very dissatisfied?

Question #C2 (Students), #C1 (Parents)

How satisfied were you with each of the following in helping you to understand the terms of your 1994-95 loan—very satisfied, somewhat satisfied, somewhat dissatisfied or very dissatisfied?

- The Department of Education and its contractors
- The Financial Aid staff at (SCHOOL NAME)

Question #D1 (Students Only)

How satisfied were you with the effectiveness of exit counseling you received in helping you to understand the terms of your current loan? Were you very satisfied, somewhat satisfied, somewhat dissatisfied or very dissatisfied?

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Question #D3 (Students Only)

How satisfied were you with printed information received during exit counseling in helping you to understand the terms of your loan? Were you very satisfied, somewhat satisfied, somewhat dissatisfied or very dissatisfied?

As shown in Exhibit 5 (and in Tables 4.1 - 4.5, 102.1, and 102.2), borrowers were generally satisfied with counseling and financial aid contacts.

Exhibit 5				
Percent of Borrowers <i>Very or Somewhat Satisfied</i> with Aspects of Loan Program: Direct Loan vs. FFEL				
Aspect	Direct Loan Students	FFEL Students	Direct Loan Parents	FFEL Parents
Financial Aid Orientation	81%	87%	*	*
Loan Terms Explained by the FAO	76%	80%	84%	85%
Exit Counseling by the FAO	73%	82%	*	*
Printed Information from Exit Counseling	88%	97%	*	*

* Parent borrowers in both programs do not participate in these activities.

The borrower and institutional characteristics that were significantly related to borrower satisfaction with the loan program aspects were:

- Institutional control—As shown in Exhibit 6, Direct Loan and FFEL borrowers in private schools consistently displayed the highest levels of satisfaction for all but one aspect—the ability of the Financial Aid Office (FAO) staff to explain loan terms. Direct Loan students in public institutions expressed the highest level of satisfaction with this aspect of their loan program (also presented in Tables 60.2, 60.3, and 156.1).

Parent borrowers in proprietary schools (see Exhibit 7) were generally more satisfied with the individual program aspects than were those in private or public schools (Tables 119.1 and 157.1).

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Exhibit 6						
Percent of Borrowers Very or Somewhat Satisfied with Aspects of Loan Program by Institution Control by Loan Program: Student Borrowers						
Aspect	Direct Loan			FFEL		
	Proprietary	Private	Public	Proprietary	Private	Public
Financial Aid Orientation	72%	84%	81%	88%	89%	86%
Loan Terms Explained by ED	84%	93%	88%	*	*	*
Loan Terms Explained by the FAO	74%	73%	76%	80%	84%	78%
Exit Counseling by the FAO	72%	84%	71%	84%	85%	80%
Printed Instruction From Exit Counseling	89%	90%	88%	95%	98%	97%

* Borrowers in the FFEL program do not have their loan terms explained by ED.

Exhibit 7						
Percent of Borrowers Very or Somewhat Satisfied with Aspects of Loan Program of Institution Control by Loan Program: Parent Borrowers						
Aspect	Direct Loan			FFEL		
	Proprietary	Private	Public	Proprietary	Private	Public
Loan Terms Explained by ED	100%	89%	83%	*	*	*
Loan Terms Explained by the FAO	96%	82%	84%	89%	86%	82%

* Borrowers in the FFEL program do not have their loan terms explained by ED.

Other findings are:

- Borrower status—First-time student borrowers expressed a significantly higher level of program satisfaction than previous borrowers or those in repayment (Tables 13.1-13.3).
- Age category—Satisfaction with the counseling aspects of the program increased as the age of student increased (Tables 28.1 - 28.3).

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- Dependency status—Independent students consistently expressed higher satisfaction levels than dependent students (Tables 53.1 - 53.3).
- Loan volume—Student and parent program satisfaction was inversely related to institutional loan volume (Tables 66.1 - 66.4, and 126.1).
- Computer system—Student and parent borrowers in schools with PC-based systems were significantly more satisfied with the program aspects (Tables 72.1, 72.2, and 132.1).
- Institutional program satisfaction—Student and parent borrower satisfaction was directly related to institutional satisfaction with the administration of the loan programs as measured in prior customer satisfaction surveys (Tables 91.1 - 91.4, and 147.1).

Satisfaction with Department of Education-Provided Communications, Services and Materials Associated with Loan Program

Student and parent borrowers were asked to rate their level of satisfaction with communications provided by various service providers (i.e., the Department of Education, lenders and guarantee agencies, as applicable). A source of communications that was common to all respondent groups was the Department of Education. As shown in Questions G3 and G5, borrowers were asked to rate their satisfaction with several different types of ED-provided services, and their overall level of satisfaction with ED. It should be noted that these questions were only asked if the respondent had actually contacted the Department of Education regarding their 1994-95 loan.

Question #G3

On a scale of one to five, with five being the highest, how would you rate your level of satisfaction with (ITEM) when contacting the Department of Education regarding your 1994-95 loan?

- a. The helpfulness of representatives
- b. The courtesy of representatives
- c. Responsiveness to telephone calls
- d. Responsiveness to letters
- e. The level of knowledge of representatives
- f. The usefulness of information received
- g. The timeliness in processing or addressing your request

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Question #G5

Overall, how satisfied are you with any contacts that you had with the Department of Education regarding your 1994-95 loan? Are you very satisfied, somewhat satisfied, somewhat dissatisfied or very dissatisfied?

As shown in Exhibits 8 and 9, both student and parent borrowers were generally satisfied with the communications and services provided by the Department of Education. No significant differences in satisfaction were found between the two loan programs.

In Exhibit 8 (and Tables 5.1–5.8), where the average satisfaction ratings for ED-provided communications and services are presented by loan program on a one to five scale (with five indicating the highest possible rating), scores ranged from a low of 3.9 to a high of 4.6. The overall satisfaction ratings are presented in Exhibit 9 (and Tables 103.1–103.7), which show that almost 90 percent of students and more than 90 percent of parents were generally satisfied with ED-provided services.

Exhibit 8				
Average Satisfaction Ratings for Communications and Services Provided by the Department of Education: Direct Loan vs. FFEL				
Type of Communication/Service	Direct Loan Students	FFEL Students	Direct Loan Parents	FFEL Parents
The helpfulness of representatives	3.9	4.0	4.3	4.0
The courtesy of representatives	4.2	4.4	4.6	4.4
Responsiveness to telephone calls	4.0	4.1	4.4	3.9
Responsiveness to letters	4.0	4.0	*	*
The level of knowledge of representatives	4.2	4.4	4.3	4.4
The usefulness of information received	4.1	4.4	4.2	4.4
The timeliness in processing or addressing your requests	4.0	4.1	4.1	4.3

* In the sample, there were no Direct Loan or FFEL parent borrowers that responded to this question.

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Exhibit 9				
Overall Satisfaction with ED-Provided Services: Direct Loan vs. FFEL				
Satisfaction Level	Direct Loan Students	FFEL Students	Direct Loan Parents	FFEL Parents
Very Satisfied	41%	47%	62%	64%
Somewhat Satisfied	47%	42%	26%	31%
Somewhat Dissatisfied	10%	8%	9%	0%
Very Dissatisfied	2%	2%	3%	5%

Experiences with Loan Consolidation

Borrowers with multiple loans were asked to rate their level of satisfaction with consolidation experiences, as applicable.

Question #H4 (Students), #F4 (PLUS)

Since you have consolidated your student loans, are you more satisfied or less satisfied with the level of servicing you have received?

Among student borrowers, over 97 percent of respondents were no less satisfied with their level of loan servicing after consolidation than before consolidation (see Tables 9.1 and 10.1–10.6). There were no differences between loan programs. Among parent borrowers, the total number that responded to this question was less than 30, so the results were not analyzed by loan program or institutional characteristics.

The tendency to consolidate student loans was more prevalent among FFEL borrowers (40 percent for students and 33 percent for parents) than Direct Loan borrowers (22 percent for students and 20 percent for parents).

Institutional loan volume was the only characteristic that was significantly related to the various measures of satisfaction with consolidation. Student borrowers attending schools with relatively low loan volumes expressed the highest levels of satisfaction with all aspects of consolidation.

Problems Experienced During the Loan Process

The final specific measure used to determine satisfaction with the Federal loan programs was the level of problems experienced during the loan process.

Question #C6

Have you experienced any specific problems with the following aspects of your 1994-95 student loan?

- a. The timing of receipt of your loan funds
- b. The method used to explain your loan terms
- c. The awareness of when your loan payments would start (and/or how much would you have to repay)
- d. The steps of the loan process required for transferring from one school to another

As expected, given the high levels of satisfaction indicated by borrowers, the incidence of problems was relatively low (Tables 6.1 - 6.4, and Tables 104.1 - 104.3) and there were no significant differences between borrowers in the two programs.

Student borrowers most frequently cited:

- Timeliness of loan funds (16 percent for Direct Loan vs. 19 percent for FFEL); and
- Awareness of when loan payments would start and/or loan amount (19 percent for Direct Loan vs. 17 percent for FFEL).

Parent borrowers most often indicated problems with:

- Timeliness of loan funds (13 percent for Direct Loan vs. 14 percent for FFEL);
- The method used to explain loan terms (13 percent for Direct Loan vs. 10 percent for FFEL); and
- Awareness of when loan payments would start and/or loan amount (12 percent for Direct Loan vs. 15 percent for FFEL).

Borrower Awareness of Key Features and Conditions of Loan

Awareness of Loan Terms

In addition to the items that measured borrower satisfaction, respondents were asked a series of three questions relating to awareness of features and terms associated with their loan.

Question #E1, E2, E3 (Students), #D1, D2, D3 (Parents)

- a. What was the approved amount of your student loan for the 1994-95 academic year?
- b. What is your interest rate for your 1994-95 loan?
- c. Approximately many years do you think it will take you to pay off your Federal loans incurred while attending school?

Borrowers indicated a relatively low awareness of the key terms and features of the loan programs. No significant differences were found between the Direct Loan and FFEL Programs.

When borrower responses were compared to information from the National Student Loan Data System (NSLDS), less than one-fourth of student borrowers and roughly one-third of parent borrowers knew their loan amount within five percent of the actual amount specified on the borrower database (Exhibit 10 and Tables 12.1 and 106.1). When asked about their interest rate for their 1994-95 loan, less than 30 percent of student borrowers and approximately one-half of parent borrowers provided rates within one percentage point of the actual interest rate of 8.25 percent; and only a very small percentage (less than five percent) of respondents identified the exact loan interest rate (Tables 12.2 and 106.2).

Further investigation of borrower awareness by loan program showed that approximately one-half of the student respondents, and less than three-fourths of the parent borrowers were able to identify their loan amount within 50 percent of the amount specified on the borrower database. About one-third of the student borrowers and one-half of the parent borrowers were able to specify their interest rate within two percentage points of the actual rate.

A Survey of Direct Loan Program and Federal Family Education Loan Program Borrowers

Exhibit 10				
Level of Borrower Awareness: Direct Loan vs. FFEL				
Level of Awareness	Direct Loan Students	FFEL Students	Direct Loan Parents	FFEL Parents
Aware of Loan Amount Within:				
1 Percent	15%	17%	25%	24%
5 Percent	21%	22%	36%	31%
10 Percent	30%	28%	46%	37%
25 Percent	41%	38%	59%	52%
50 Percent	52%	51%	71%	65%
Aware of Interest Rate:				
Exactly	4%	3%	4%	2%
Within One Percent	29%	28%	50%	42%
Within Two Percent	34%	34%	55%	47%

The majority of student borrowers (83 percent) and parent borrowers (79 percent) were able to approximate the amount of time that it would take to pay off their loans, which suggests that borrowers were aware that their loans had to be repaid (Tables 12.3 and 106.3).

Significant relationships were found between borrower awareness and many of the individual characteristics examined. The most substantive were the following:

- As expected, student borrowers with loans in repayment were more familiar with their loan information (particularly their interest rate) than those in any other loan status category (Table 18.1);
- Previous student borrowers were less likely to know their loan amount than first time borrowers or those in repayment (Table 15.1);
- Students with graduate level education were more aware of their loan amount and interest rate than those without graduate training (Tables 45.1, 45.2, 48.1, and 48.2);
- Students attending proprietary schools indicated lower awareness of their loan amount than those attending private or public institutions (Table 61.1); and
- Students attending schools with the highest levels of institutional loan program satisfaction typically displayed the greatest awareness of their loan terms (Table 92.1 and 92.2).

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There was also a significant relationship between the level of borrower satisfaction with their exit counseling and the awareness of their loan amount. Out-of-school borrowers who were *very* or *somewhat satisfied* with their exit counseling indicated a higher level of awareness than those who were *dissatisfied*.

Awareness of Deferment Conditions/Consequences of Default

To further examine the effectiveness of exit counseling, out-of-school student borrowers and transfer students were asked to identify three conditions for deferment and three consequences of default. Parent borrowers were asked to identify possible consequences of default.

Question #E4, E5 (Students), #D4, D5 (Parents)

- a. Can you please tell me three conditions under which you are allowed to defer repayment of your 1994-95 student loan?
- b. Can you please tell me three possible consequences of defaulting on your 1994-95 student loan?

The majority of both student and parent borrowers were unable to identify three conditions for a deferment, as well as three consequences of defaulting on their loans.

Responses for student borrowers (both Direct Loan and FFEL) were almost evenly split among those who were unable to identify any deferment conditions, those who were able to identify one deferment condition, those who mentioned two conditions, and those who were able to cite three conditions (Table 12.5). There were no significant differences among Direct Loan and FFEL respondents.

The ability to identify the consequences of default differed between student and parent borrowers. While roughly half of the respondents in both groups (students and parents) were able to identify one consequence of default, the percentage of respondents who were unable to identify any default consequences was considerably higher for student borrowers than for parent borrowers. Approximately 26 percent of student borrowers compared to roughly five percent of parent borrowers were unable to cite at least one consequence of student loan default (Tables 12.4 and 106.4).

There were no significant differences in awareness of default consequences between the two loan programs.

A Survey of Direct Loan Program and Federal Family Education Loan Program Borrowers

In addition:

- Graduate student borrowers, independent students and those between the ages of 25 and 44 indicated the highest levels of awareness of deferment conditions and consequences of default.
- Students attending proprietary schools were less aware of default conditions than those attending public or private schools. Students attending private schools displayed the highest awareness.
- Student borrowers attending schools with annual loan volumes of five million dollars or less showed the least awareness of default consequences; and students attending schools with loan volumes between five and 10 million dollars, or above 20 million dollars were most aware of the conditions for deferment.

Overall Comments Regarding the Federal Direct Loan and Federal Family Education Loan Programs

In the final section of the survey, borrowers were asked if they would like to provide additional comments regarding their loan or the Federal Student Loan Program. Since the response to this portion of the survey was voluntary, the results are interesting, but non-generalizable. Approximately 15 percent (526) of all respondents provided comments:

- 10 percent (73) of the Direct Loan student borrowers,
- 13 percent (281) of the FFEL student borrowers,
- 20 percent (48) of the Direct Loan parent borrowers, and
- 22 percent (125) of the FFEL parent borrowers offered comments.

In comparing the responses across all four groups it became apparent that satisfaction and the absence of loan problems, combined with borrowers' gratefulness for the existence of the loan program are the most frequently cited comments. The next most frequent response category for all four groups appeared to be problems with repayment, consolidation, and deferment.

In general, comments focused on various problems and concerns as well indications of satisfaction and gratefulness. Most frequently cited by all groups were indications of satisfaction and gratefulness for the loan program, suggesting a generally positive experience with the Federal student loan programs.